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THE Agricultural Situation

JUNE 1955

Volume 39, Number 6

Outlook Highlights

THE RISE in economic activity which began last fall is continuing this spring. Factories are producing at a near-record rate and construction is at a new high. Employment rose a million from March to April and purchasing power, measured by increased personal income, continues high.

Livestock and Meat

Meat output the first 4 months of this year was 7 percent above a year earlier, with an 18 percent gain for pork accounting for much of the rise. Prospects for the rest of the year indicate hog slaughter will continue above a year earlier, though by a smaller margin than in January-April . . . cattle slaughter will be as large or larger than last year. Total meat production for 1955 probably will be 3 to 4 percent above 1954.

Dairy and Poultry Products

Prices farmers got for milk in mid-April averaged above a year earlier for the first time in 2 years. The rise reflects the higher proportion of milk used in bottled outlets and a slight increase in prices of manufacturing milk. Not much change in milk prices is likely the rest of 1955, in view of large supplies in prospect.

Egg production has been declining seasonally but is likely to stay above a year earlier for two or three months. By late summer the sharp reduction in the number of young chickens being raised will begin to affect output. Production the last 4 months of the year may be 5 percent or more below the same period of 1954.

Feed Grains

Stocks of each of the 4 feed grains are mounting to record levels this year. Use of feed grain out of this year's large supply has lagged behind last year . . . despite a 3 percent gain in the number of grain consuming animals. Mild weather last fall allowed livestock to salvage large amounts of fallen corn. Feeding may pick up the remainder of the season, but total for 1954-55 is likely to be slightly below 1953-54.

Big stocks assure a large feed-grain supply for another feeding year, barring a poor growing season. The 38-

	Page
D RIVE To Sell Dairy Products Backed By Industry And USDA-----	2
Study Traces Various Costs Of Marketing Midwestern Eggs--	3
Cattle Finishing, A Fast Growing Industry-----	5
"Bert" Newell's Letter-----	7
"Distress" Support Loans For This Year's Wheat-----	8
A "Clean-Grain" Check List----	8

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million ton carryover expected to be on hand at the end of the 1954-55 marketing season would be equal to a third of the average feed grain production of recent years.

Fats and Oils

Movement of soybeans off farms was comparatively slow during the first half of the marketing year. The April 1 stocks of 177 million bushels were far higher than ever before on that date. Exports through April totaled about 41 million bushels, 7 million above a year earlier. Soybean prices, though declining in recent weeks, have been moderately above support.

Cotton

Exports of cotton in March were below a year ago for the second consecutive month, but the total through March this season was still above a year earlier.

Wool

Prices to farmers in mid-April, the first month in which the new incentive payment program was in effect, averaged 48.7 cents per pound, 4.9 cents below a year earlier. Under the new program, prices will seek their own level under current tariff protection. After the season ends, the individual producer will receive a payment based on the percentage of the average price received by all producers needed to bring this average up to the support level.

Drive to Sell Dairy Products Backed By Industry and USDA

JUNE is when dairymen are bustin' out all over—bustin' with pride, that is—because now's the time they stage their annual "June Is Dairy Month" celebration.

At this time of year, with milk production at its seasonal peak, the dairy industry sponsors an all-out promotion to sell more dairy products. The U. S. Department of Agriculture is backing the June dairy campaign with a Special Plentiful Foods Program on milk and other dairy products.

Campaign Goals

The cooperative industry-government drive is designed to increase movement of dairy products through normal channels of trade. Industry and government plans aim at encouraging consumers to buy and use more dairy products.

An industry committee, made up of representatives of 13 industry-supported dairy organizations, has chosen the theme, "Festival of Better Living," for the campaign. All segments of the industry—producers, processors, distributors, equipment suppliers and other allied groups—are joining in to "push" dairy products during June.

Secretary of Agriculture Ezra Taft Benson has pledged USDA cooperation in the dairy industry campaign. The Department's Special Plentiful Foods Program helps the campaign in two ways—by enlisting help from the food trades industry, and by encouraging consumer buying of dairy products.

Department information releases to press, radio, television and other public information outlets are calling consumers' attention to the abundant supplies of dairy products, their nutritional value, and the many tasty and economical ways they can be served.

USDA is also urging the various segments of the food trades industry to support the campaign by concentrating their June merchandising on dairy products. Many wholesalers, retailers, restaurant owners, and others in the food-selling business are giving extra

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Study Traces Various Costs Of Marketing Midwestern Eggs

A RECENT study by the *Agricultural Marketing Service* covers the costs of marketing midwestern eggs sold in Washington, D. C.

In November 1954, the last month covered by this study, farmers in the Midwest were receiving an average price of 26 cents per dozen for their eggs. At the same time, a few stores in Washington, D. C., were charging consumers 70 cents per dozen for carton-sized large grade A eggs.

However, the study points out that you can't talk about egg marketing costs in terms of the difference between 26 cents and 70 cents. This is because the 26 cents was an average farm price for all grades and sizes, whereas 70 cents was the price of one top grade and size in a few stores only.

This study showed midwestern farm-

merchandising emphasis to dairy products this month.

Plentiful Foods List

In another phase of its support of "June Is Dairy Month," the Department is featuring milk and other dairy products on its regular Plentiful Foods List—a list issued monthly as part of USDA's program to encourage consumers to buy farm products that are in heavy supply.

With featured status on the List, milk and other dairy products will get special attention throughout June from press, radio, and television, as well as from the food trades.

Besides milk and other dairy products, USDA urges increased consumption of a number of other plentiful commodities which also appear on the June plentiful list. They include broilers and fryers, citrus and citrus products—fresh and processed lemons and oranges, and processed grapefruit—beef, small size prunes, raisins, fishery products—canned tuna, halibut, and frozen fillets—rice, vegetable fats and oils, and lard.

Lynn Kennon
Agricultural Marketing Service

ers received 31 cents per dozen for large grade A eggs, and lesser prices for others, for an overall average of 26 cents.

The study showed also that the Midwest does not usually ship its lower priced eggs to Washington, D. C. Midwestern assemblers always try to ship their bigger and better eggs to distant markets such as Washington, D. C., and sell the smaller and lower-priced eggs in nearby markets. In fact, more than half of the eggs went to outlets nearer home. The average price assemblers paid midwestern farmers for all sizes actually shipped to Washington was 30 cents per dozen.

During the same month, retail prices in Washington, D. C., for all grades and sizes of eggs averaged 59½ cents in independent retail stores and 57½ cents at chain stores. On an unadjusted basis, therefore, the average marketing margin on midwestern eggs in Washington, D. C., during November 1954 was about 29½ cents per dozen in the independent stores studied and about 27½ cents in the chain stores.

Difference in Grades

However, the study showed that these figures need further refinement. This was because farm and retail prices as they are reported do not cover identical qualities of eggs. Farm prices are based on wholesale grades whereas retail prices are related to consumer grades. Wholesale grades have much wider quality tolerances than consumer grades.

The researchers figured out that the proper adjustment for such quality differences would be about 1½ cents per dozen. Making this adjustment, they concluded that marketing margins on the total of midwestern eggs sold in Washington, D. C., in November 1954 averaged about 28 cents in independent stores and about 26 cents in chain stores.

The study covered in detail the prices and marketing cost of large quantities of eggs produced in Iowa, Minnesota,

New Jersey, Pennsylvania, Maryland, and Virginia.

How the Eggs Move

Let us follow a typical case of eggs from a midwestern farm to one of the retail stores studied. A truck from a midwestern buying station goes to farms in the area, picks up cases of eggs, and returns to the station. The eggs are unloaded and moved into the candling room where each egg is checked for quality and size and re-packed into wholesale grades. The candler next makes out a ticket showing numbers of eggs by grade and size, and the producer is then paid on the basis of prevailing market prices. (While the eggs covered in this study were purchased on grade, some plants buy "farm-run" eggs at a flat rate.)

The graded eggs are next hauled to a central assembly plant some miles away. At this point, undergrades are separated for sale to egg breakers or other buyers at reduced prices. The grade A eggs are then generally immersed in oil (*shell treated*) and packed for shipment to consuming areas. After this processing has been completed, the eggs are loaded into a trailer-truck for shipment to eastern cities.

Records of five Iowa and Minnesota country assemblers shipping eggs to Washington, D. C., in 1954 indicate average costs of 2.38 cents per dozen for country buying stations. In addition, supplies (*cases, flats, fillers, nails, and wire strapping*) cost a little over 2 cents per dozen. Costs of loading in, processing, and loading out averaged about seven tenths of a cent per dozen. Costs of hauling eggs from buying stations to assembly plants averaged about six tenths of a cent. General overhead (*including office salaries, depreciation, rent, heat, light, taxes, and profit*) averaged 1.13 cents per dozen. Freight on the eggs from the assembly plants to Washington, D. C., was about 2.70 cents per dozen.

The total cost per dozen for moving eggs from midwestern farms to wholesalers in Washington, D. C., averaged 9.5 cents per dozen during 1954.

In Eastern States, costs of country assemblers who shipped eggs to Washington, D. C., were about 6 cents per dozen lower than those of the Midwest,

or about 3.5 cents per dozen. The lower cost for the nearby shippers is the result of savings on freight to the city, less expense for supplies, candling, and processing, and a *less expensive farm assembly system*. This low cost assembly system results from the larger commercial producing units found in the highly concentrated eastern areas.

Wholesalers and Retailers

When the eggs arrive at a wholesaler's warehouse in Washington, D. C., from the Midwest about three days later, they are unloaded into a holding room. Later, they are candled into consumer grades and packed in one-dozen cartons for retail stores and into case lots for institutions. Candling costs in Washington wholesale houses in 1954 averaged $2\frac{1}{2}$ cents per dozen; cartons cost about $2\frac{1}{4}$ cents; inspection, two tenths of a cent; replacement of broken cases, flats, and fillers, a fourth of a cent; miscellaneous items, such as tape and sales slips, a third of a cent; throw-out loss $1\frac{1}{4}$ cents;¹ and overhead plus profit, a little over $1\frac{1}{4}$ cents per dozen. These costs add up to 8 cents per dozen. This was the average gross margin for Washington, D. C., independent wholesalers of eggs during 1954.

The average wholesaling cost for chains, including those operating their own candling rooms, was 6 cents per dozen.

From the wholesale house the eggs are delivered to retail stores where they are usually displayed in refrigerated cases until sold. For the month of November 1954, retailers' margins averaged about 10.5 cents per dozen. Store margins on eggs are about the same (*percentage of retail price*) as the average margin on all items sold. No attempt was made to determine costs of retailing eggs in stores because of the difficulty of separating egg handling costs from costs of selling hundreds of other products.

Robert M. Conlogue
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¹Throw-out loss is the loss incurred in candling wholesale grades into consumer grades. Eggs which do not meet consumer grade standards must be replaced by eggs from another lot.

Cattle Finishing, A Fast Growing Industry In the Western States

CATTLE FINISHING in the Western States has developed during recent years from a relatively small industry to the most important outlet for western feeder cattle. From September 1, 1952, to September 1, 1953, more than 2 million head of cattle were finished out in the eleven Western States, according to a survey just completed in that region. This was probably about a fourth of the total number of cattle fed out in the United States during that period.

Most of the feeding in the Western States was in California and Colorado; with 43 percent of the total in California and 27 percent in Colorado. Idaho and Arizona each fed out about 10 percent of the western total and the remaining 10 percent was divided among the other Western States—namely, Nevada, Utah, Montana, Wyoming, Washington, Oregon, and New Mexico.

The information is based on research done under the Research and Marketing Act by the *Agricultural Experiment Stations* of the Western States and the *Agricultural Marketing Service*. A complete report on this study is to be published as a Nevada Station Bulletin.

Large Feedlots

In contrast to cattle feeding in the Corn Belt, where finishing operations are well integrated into the farm unit, the greatest volume of cattle feeding in the West is done in large "factory type feedlots." Although 92 percent of the feedlots in 9 Western States (all of the eleven except Washington and Oregon) fed out less than 500 head of cattle per feedlot during the 12-month period, 66 percent of all the cattle were finished out in feedlots which had an annual turnover of 1,000 head or more. In fact 39 percent of all of the cattle finished in 9 Western States were fed out in feedlots feeding 10,000 head and more.

There was extreme variation in the relative importance of large and small feedlots among States. In California,

68 percent of the cattle were fed in feedlots having a turnover of 10,000 head or over. But in Colorado, 60 percent of the cattle were fed in feedlots with a turnover of less than 500 head. In Arizona, as in California, most of the feeding was done in the large lots. In the other Western States, the small feedlots contributed more to the total volume of feeding, as was the case in Colorado.

High Turnover Rate

For the Western States as a whole, peak months of number of cattle on feed were November and December and there was a considerable slump in feeding operations during the summer months. The seasonal pattern varied considerably among States. In California, there was considerable feeding the year around, but with a peak during October and a continued high level through November and December. In Colorado, the peak came in November with a high level of feeding continuing through December and January. Feeding in Colorado dropped off sharply during the summer.

Quite different from the pattern of Corn Belt feeding operations was the large turnover of cattle in some of the more important cattle finishing States in the West. In California, the number of cattle fed out from September 1, 1952, to September 1, 1953, was 3.2 times as great as the number on feed as of January 1, 1953. In Arizona, the rate of turnover was 2.4 and in Colorado it was 1.8. This compares with a rate of turnover of only 1.4 for Iowa, Nebraska, and Illinois combined for the calendar year 1953.

The high rate of turnover in some of the Western States is associated with a shorter length of feed than in the Corn Belt. The average length of period in the feedlot in the Western States during 1951-52 was 126 days for steers and 121 days for heifers. For individual States, average length of time in the feedlot for steers during the same period was only 103 days for Arizona, 111 days for Nevada and 112 days for

California. In the Midwest, on the other hand, the majority of the cattle spend an average of about 7 months in the feedlot.

Ownership Changes

Sixty percent of the cattle placed on feed in 7 of the States during 1952-53 were owned by feedlot operators and 40 percent were custom fed.¹

The custom feeder does not buy, sell, or own cattle but conducts a business of feeding cattle owned by others for a fee. This is contrasted with the business of a feedlot operator who owns the cattle he is feeding. Such an operator may be a farmer or rancher, a meat packer, or a sugar beet company.

Of the cattle owned by feedlot operators, 84 percent were fed by farmers and ranchers, 13 percent by packers, and 3 percent by sugar beet companies. Of the custom-fed cattle, 32 percent were fed for farmers and ranchers, 51 percent for packers, 16 percent for speculative feeders, and less than 1 percent for sugar beet companies.

Taking into consideration both the cattle owned by feedlot operators and those which were custom fed, 63 percent of all cattle in feedlots were owned by farmers and ranchers, 28 percent by packers, 7 percent by speculative feeders, and 2 percent by sugar beet companies.

There was no significant change from 1951-52 to 1952-53 in the proportion of custom-fed as compared with feedlot-owned cattle. There was, however, an important decrease in packer ownership . . . from 28 percent of all cattle during 1951-52 to 19 percent during 1952-53.

The decline in packer feeding was largely offset by an increase in feeding of cattle owned by farmers and ranchers, both custom and in their own lots. Packer feeding was more important in California than in any other State and during 1951-52 almost 48 percent of the cattle finished out in that State were packer owned—either in packer-owned lots or custom-fed for packers. This percentage declined to 31 percent in 1952-53. This contrasted with packer ownership of cattle in the feed-

lots in Colorado of only 2.2 percent in 1951-52, and 2.5 percent in 1952-53.

Where Bought? How Sold?

The bulk of the feeder cattle in the Western States was purchased either direct from cattlemen or through order buyers. During 1951-52, 38 percent of all cattle placed in feedlots were bought direct from cattlemen, 26 percent through order buyers, 15 percent through auctions, 13 percent through terminal markets, 8 percent came from the breeding herds of the people who owned the cattle in the feedlots, and one-half of one percent were purchased through cooperatives.

Whereas auctions and terminal markets were relatively unimportant for most of the States, they were of considerable importance for some States. Auctions handled nearly 50 percent of all feedlot purchases in Idaho and New Mexico. About 20 percent of all cattle for feedlots were purchased through terminal markets in both Arizona and Colorado.

Approximately two-thirds of the feedlot cattle in the Western States were sold direct to packers and 32 percent were sold through terminal markets. The remaining 2 percent went to auctions, independent buyers, sugar beet companies, other feedlots, ranchers, and cooperatives.

Here again the regional averages obscure important differences between individual States. Whereas, in California, over 90 percent of the cattle out of feedlots were sold direct to packers, Colorado feeders sold less than 20 percent of their cattle direct to packers but 80 percent to terminal markets.

This important difference in choice of market outlet appears to be directly related to size of the feedlot operations and to the marketing facilities available. In California, feeders have immediate access to only a relatively small number of West Coast markets. Colorado feeders, on the other hand, have access not only to the Denver Stockyards, but are in a fairly good geographical position for shipping to Kansas City, St. Louis, or Chicago.

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¹ For this ownership phase of the study only 7 States were included—Calif., Colo., Ariz., Nev., Mont., Wyo., and N. Mex.

"Bert" Newell's Letter

To Crop and Livestock Reporters

TO GET THINGS exactly right, is always a good goal—whether it's lining up fence posts, fixing some wiring on the farm, or making crop and livestock estimates in a statistician's office.

A great deal depends on the accuracy of these estimates—estimates which you help us to make by filling out and returning our questionnaires. For these estimates are basic guides to supplies and prices of farm products, now and in prospect.

With your help, we try hard to reach perfection in our statistics. And all of us have reason for pride in the results.

We never actually reach perfection, of course. We often have to settle for estimates in rounded thousands of bushels or acres, for example; because we can't make nationwide estimates more exact than that. Also, in a good many cases, hairline precision is not needed enough to justify its extra cost.

Estimates like these are not wrong. They are correct and useful, and exact enough for any practical purpose. Still, when they fail to show the facts to the last decimal point, we statisticians say they contain "statistical error."

"Error" is an interesting and somewhat frightening word. It is used in so many different ways, and with so many different meanings, I am a little allergic to the word.

NOW, in our work we cannot tolerate mistakes. Even a typographical slip-up can be quite serious, and we have to see that such errors are corrected promptly. But "statistical error" is not a mistake. We often refer to it, and use it to explain the limits within which an average or total can be relied upon.

There is a whole lot of statistical jargon, and a lot of Greek letters and symbols that statisticians use to explain it, but to you and me it just boils down to this: When we say that the average is 60 bushels of something or other, we know that the reports from which this average was obtained range from, let us say, 30 to 90 bushels; and on the basis of the number of reports, and the way they fall within that

Do You Miss The Tables?

THIS ISSUE omits the full-page table on economic trends and the half-page table on prices which have been appearing regularly in the *Agricultural Situation*. We wish to determine by this means whether we can omit them from future issues without inconveniencing a substantial number of readers. Omission of these tables would open the way for some desired improvements and economies in the publication.

In all cases, the data in these tables are published first in other reports of the AMS. Therefore, readers needing these data can get them quicker from the original reports than by waiting for them to be republished in the *Agricultural Situation*. We shall be glad to send you copies of these reports regularly if you request them.

If you have comments or suggestions about the tables, please send your letter or postcard to: Editor, *The Agricultural Situation*, Agricultural Marketing Service, USDA, Washington 25, D. C.

range, we can tell fairly well in what limits the average may be considered reliable, or in other words, we can tell the *precision* of that average. So, if a statistician tells you that the average is 60 bushels with a probable error of + or - say 2 bushels, he is not saying that somebody has made a mistake. All he is trying to do is to give you a guide as to *how much dependence* you can put in that average.

SO YOU SEE, when we talk about *statistical* error it is quite different from saying a thing is black when it's white or gray.

This probable error measurement is directly related—among other things—to the size of the sample on which it is based. A large sample is usually better than a small one; so our reason for constantly emphasizing the need for everyone to send in a report is really directly related to our effort to give you a more precise figure to work with.

We try to be sure that the people we ask to report are distributed over the area in a way that will be representative of all segments of the area. So, whether you happen to be a large producer or a small producer, your reply

is important. It is important because so much depends on the information which we put out; and we feel a great responsibility to have it as accurate as possible.

Now I expect that I'll get some letters from some of my statistician friends telling me about all of the things I have not covered, or left out. But, folks, the fact of the matter is, when you get right down to the plow furrow, in this business of ours you can help most by getting your reports in regularly and promptly during this growing season which we are just going into.

S. R. Newell, Chairman
Crop Reporting Board, AMS

"Distress" Support Loans For This Year's Wheat

DISTRESS price-support loans will be available for a 90-day period this summer for 1955-crop wheat in areas where regular storage facilities are not available and where wheat can be stored successfully either on the ground or in temporary structures during the summer months.

Distress loans will be on a "recourse" basis at 80 percent of the regular county loan rates. Otherwise they will be handled pretty much as the regular loans.

Wheat must meet all the eligibility requirements of a regular price-support loan, except storage, to be eligible for a "distress" loan. During the 90-day period farmers will be expected to arrange for adequate on-farm or commercial storage. Farmers will then be able to take out a regular price-support loan, replacing the temporary distress loan, provided the wheat again meets eligibility requirements.

Producers may obtain necessary information from State or county Agricultural Stabilization and Conservation committees. The distress loans, as in the case of regular price support loans, can be obtained through local lending agencies or directly from local ASC county committees.

A "Clean-Grain" Check List

- Check your storage space in advance, to be sure it is clean and free of contamination. Spray interior.
- Be sure the bin is rodent-, bird-, and moisture-proof. Check floors, walls, eaves, roofs, and all openings.
- Take steps to eliminate rodents from the bin areas. Remove all trash and possible rodent shelter.
- Prevent and control insect infestations. Apply a protective spray or dust at harvest, as grain goes into the bin, or fumigate during storage. Inspect frequently for insect infestation; fumigate when necessary.
- See your *County Agricultural Agent* for suggestions and help on clean-grain operations in your area.
- Federal and State bulletins on insect and rodent control are available. Check with your County ASC Committee for details of the *minimum* sanitation requirements as they affect the price-support program for this year's wheat.

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